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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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29 March 1969

**State Dept. review
completed**

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Approved For Release 2003/05/29 : CIA-RDP79T00975A013400030001-9

Approved For Release 2003/05/29 : CIA-RDP79T00975A013400030001-9

No. 0076/69
29 March 1969

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[South Vietnam: Several recent reports indicate the Communists plan to kick off the April round of the offensive with a fresh spate of attacks.

One such report, []

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[] states that the April round of fighting will feature intensified ground attacks against key targets in the provinces, presumably provincial and district capitals and allied outposts. [] an "all-out" attack on Saigon is not planned but the Communists will attempt to infiltrate three main force battalions into the southern part of the city. Other recently captured Communist personnel have also reported plans to mount attacks against or from within Saigon, but the size and number of units tasked with this operation vary from source to source.

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Allied operations have probably hindered any Communist effort to move large units in close to Saigon. The enemy is able, however, to move small units into the Saigon vicinity. On 28 March, two US helicopters were shot down by enemy ground fire less than four miles from Saigon. US reaction forces reported sporadic contact with the enemy unit throughout the afternoon of 28 March.

Elsewhere in the country, Communist units took heavy casualties in clashes near the Demilitarized Zone on 27 March and in Tay Ninh Province on 28 March. []

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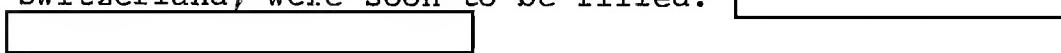
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Communist China: There are new indications that Peking may soon send ambassadors abroad.



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These remarks give added weight to suggestions that the party congress will have a "normalizing" effect on the conduct of Chinese foreign relations. Chinese ambassadors were recalled for political reindoctrination in 1967, and only the ambassador in Cairo has remained at his post. Last month, Chinese diplomats indicated that several ambassadorial posts, including those in Sweden, Cambodia, and Switzerland, were soon to be filled.



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Egypt: Available evidence suggests that damage to Egypt's oil refining facilities at Suez by recent Israeli shelling is substantial.

Cairo reportedly has concluded an agreement with the British Petroleum Company under which Egyptian crude oil from the El Murgan field, normally processed at Suez, will be shipped by tanker to the company's refinery at Aden. The agreement, which is for one year, calls for the British to supply 200,000 tons of refined products per month. This quantity represents about one half of the products normally provided from the Suez refineries and about one third of Egypt's total demand. Several tankers of crude oil already have been dispatched to Aden.

Egypt made a similar arrangement with British Petroleum in November 1967 following damage to the Suez refineries by Israeli shelling, but it was then on a month-to-month basis. The new arrangement with British Petroleum suggests that the damage is very extensive and that the Egyptians may not intend to restore the refinery in the near future.

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[redacted] the recent shelling damaged or destroyed 14 storage tanks, at least one Egyptian tanker, the jetty and loading facilities, and refinery equipment. [redacted]

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[redacted] repairs, when undertaken, would cost some \$70-80 million.

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Continued sniping in the vicinity of Suez, together with possible destruction or blockage of unloading jetties at Suez, may slow the movement of products from Aden to Suez. Egypt, however, is establishing temporary anchorage and unloading facilities south of Suez and is building an ancillary pipeline to connect with the Suez-Cairo pipeline; the new line could be completed in "two to three" weeks. [redacted]

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France-UK: The prototype Franco-British Concorde SST began flight tests early this month, but still faces major problems which probably will prevent it from becoming an economic success.

Technical difficulties have plagued the Concorde from the outset, but excessive noise and weight have turned out to be the most intractable. The increasing weight is largely a result of unanticipated changes and additions to the structure and equipment--problems normally encountered in the development of aircraft incorporating new technology. As the weight of the Concorde has increased, so have its noise level and fuel consumption. The planned installation on the production models of engines with greater thrust will compound these problems.

A Franco-British request for exemption from fuel reserve requirements on transatlantic flights, which would have allowed some reduction in the weight of the aircraft, recently was denied by other governments. Reduction in planned passenger load from the original 140 to about 110 has not been enough to alleviate the weight problem.

On take-off the plane apparently can be heard to a distance of some 21 miles. This noise level is well beyond the limits imposed at most international airports, including those in the US. Basically, the Concorde's capacity has become too small, and it is also too heavy and noisy to do the job for which it was designed.

The British have begun to express grave doubts about the feasibility of the entire project, but the French--at least publicly--remain enthusiastic and vigorous proponents of completing the program. Politics, prestige, and the desire for continued technological gain could yet carry the Concorde through to some phase of production and operation, but not on a commercial basis. [redacted]

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West Germany: West Germany is moving rapidly to implement its recent decision to raise quotas on imports from Eastern Europe and the USSR.

The decision permits a one-third increase in import quotas for Communist industrial products but excepts some items such as iron, steel, coal, cotton, and heavy heating oil. Bonn already has assigned increased quotas for certain petroleum products from Poland, Rumania, Czechoslovakia, and the USSR.

Bonn estimates this measure would permit East European nations to increase their exports to Germany by an additional \$132 million. This figure includes \$47 million in expanded quota ceilings already granted in hard-fought negotiations during 1969 trade talks with Rumania, Poland, Hungary, Czechoslovakia, and Bulgaria. These quota increases are the equivalent of 20 percent of West Germany's imports from these five countries in 1968. Many East European products cannot easily compete on Western markets, however, and increased West German quotas may not actually result in large increases in trade. The federal cabinet has not yet decided if such quota increases will be granted to East Germany.

Last year, Bonn's trade with all Communist nations reached a record high of \$3.2 billion, or seven percent of its total trade. West Germany, however, still registered a sizable surplus of \$470 million. With many East European countries heavily indebted to West Germany, further substantial growth in this trade now depends on Bonn's willingness to increase its imports.

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Indonesia: Djakarta's immediate economic problem is stagnation rather than inflation.

Major sectors are still in the doldrums from the days of Sukarno, and retail trade has slowed recently. This situation is partly the result of government policies to stem inflation, among them restrictive credit and high interest rates.

The government now is trying to move the economy ahead rapidly without jeopardizing its hard-won and still-delicate stability. Djakarta is pushing forward with self-help measures to mobilize resources. These include rationalization of the exchange rate structure, expansion of credit for selected sectors, particularly agriculture, and the improvement of fiscal and trade controls. The government also is requesting foreign aid of about \$500 million a year, but prospects for aid of this magnitude are poor.

Indonesia has achieved considerable success with its economic stabilization program. During the past 12 months, prices edged upward only one or two percent a month compared with the runaway inflation of 1966 through early 1968. The price of rice--the most volatile in recent years--has actually declined slightly since last March because of a bumper crop, adequate stocks, and imports.

Exchange rates are holding firm, the budget is nearly balanced, credit is restricted, and the banking system has been reorganized. Time deposit savings have increased more than 20-fold in the past six months. Growing confidence in the rupiah is reflected in the return of funds previously sent abroad. The import pattern also is healthier, with capital goods and raw materials now accounting for a larger share of the total than before.

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Pakistan: The new military regime seems to be getting under way smoothly. The administration appears to be moving with dispatch, having already rushed food shipments to East Pakistan where critical shortages were developing. Major opposition leaders remain silent, and the drab fare in newspapers across the country indicates that censorship is once again in effect. The military is maintaining a low profile, however, with few troops in evidence in the cities and the only arrests thus far reported are of 21 persons in the Karachi area who are charged with inciting workers to strike.

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Portugal: The cabinet changes announced by Prime Minister Caetano this week seem designed to improve the administration of economic matters and thereby enhance his image prior to the National Assembly elections in November. The assignment to the present finance minister of the additional post of minister of economy is an effort to get long-needed policy coordination between those ministries. The appointment of six new secretaries of state and two new undersecretaries will also help Caetano consolidate his control of the executive branch.

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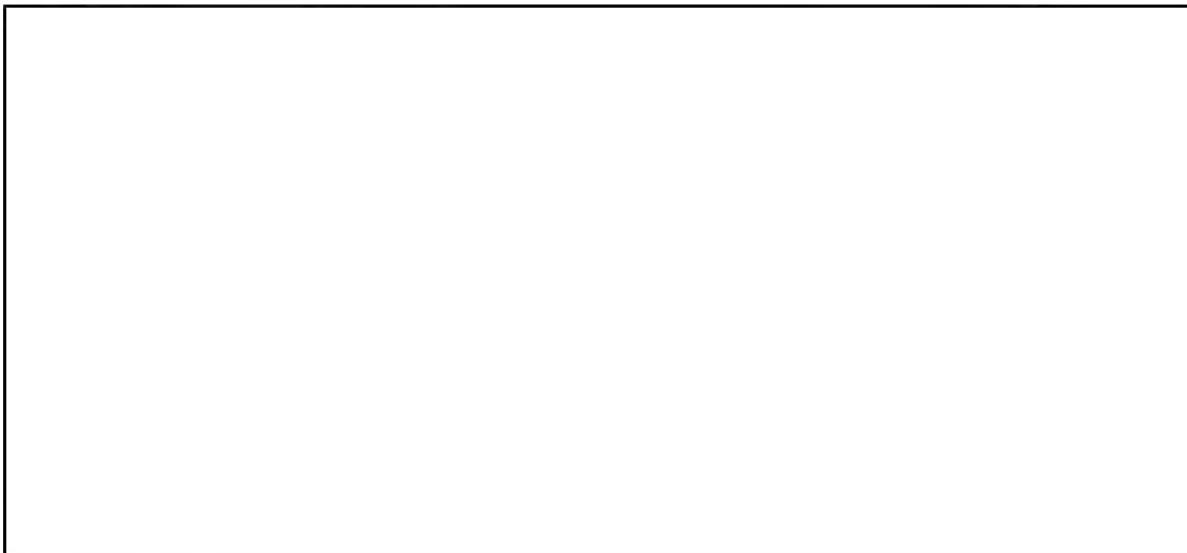
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Cyprus: Contention persists over increased patrolling by Cypriot police which began early last month and which the Turkish Cypriots are threatening to stop by force. The UN special representative compares the situation to that which preceded the last serious fighting on the island in November 1967. There have been repeated incidents, and each community continues to put out propaganda blaming the other for the absence of any progress toward a workable intercommunal political settlement.

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Communist China: The 15 yachtsmen detained by the Chinese since 16 February are expected to be released in about ten days. [redacted]

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[redacted] all the detainees, including six Americans, are being well treated. The yachtsmen were seized by Chinese patrol craft, apparently for violating Chinese territorial waters while sailing between Hong Kong and Macao. As in similar instances in the past, the incident has been handled as a provincial matter, and Peking has avoided any mention of the issue. [redacted]

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